

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

Debtor.¹

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**SUMMARY SHEET ACCOMPANYING FIFTH INTERIM FEE APPLICATION
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. AS CONSULTING SERVICES
PROVIDER TO THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR
PUERTO RICO, AS REPRESENTATIVE OF DEBTOR,
PUERTO RICO ELECTRIC POWER AUTHORITY ("PREPA") FOR THE PERIOD
FROM OCTOBER 1, 2018 THROUGH JANUARY 31, 2019**

Name of Applicant:

McKinsey & Company, Inc. Washington D.C.
("McKinsey Washington")

Authorized to Provide Services to:

The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which Compensation
and Reimbursement is Sought:

October 1, 2018 through January 31, 2019

Monthly Fee Statements Subject
to Fifth Interim Fee Request:

Tenth Monthly Fee Statement
for Compensation for Services Rendered
From October 1, 2018 through October 31, 2018:
Title III Support for PREPA
dated March 8, 2019

Eleventh Monthly Fee Statement for Compensation for
Services Rendered From November 1, 2018 through
November 30, 2018: Title III Support for PREPA

¹ The last four (4) digits of PREPA's federal tax identification number are 3747.

dated March 8, 2019

Twelfth Monthly Fee Statement for Compensation for Services Rendered From December 1, 2018 through December 31, 2018: Title III Support for PREPA dated March 8, 2019

Thirteenth Monthly Fee Statement for Compensation for Services Rendered From January 1, 2019 through January 31, 2019: Title III Support for PREPA dated March 8, 2019

Total Fees Requested for Fifth Interim Compensation Period: **\$2,960,000.00**

Total expenses requested for Fifth Interim Compensation Period: **\$0.00²**

Total fees and expenses requested for Fifth Interim Compensation Period: **\$2,960,000.00**

Total requested Fifth Interim Compensation Period fees and expenses paid to date: **\$0.00**

Total fees and expenses subject to an Objection: **\$0.00**

Type of Application: **Fifth Interim Fee Application:
Title III Support for PREPA**

Deadline for parties other than notice parties to file objections: **April 8, 2019**

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re: PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

Debtor.³

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**FIFTH INTERIM FEE APPLICATION OF MCKINSEY & COMPANY, INC.
WASHINGTON D.C. AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL
OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS
REPRESENTATIVE OF DEBTOR, PUERTO RICO ELECTRIC POWER AUTHORITY
("PREPA") FOR THE PERIOD FROM OCTOBER 1, 2018
THROUGH JANUARY 31, 2019**

McKinsey & Company, Inc. Washington D.C. ("McKinsey Washington"), strategic consultants to Debtors in the above-captioned cases, respectfully represents:

INTRODUCTION

1. By this fifth interim fee application (the "Fifth Interim Fee Application"), McKinsey Washington seeks the allowance and payment of compensation for professional services pursuant to the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket Number 3269] (the "Interim Compensation Order"), the applicable provisions of Title 11 of the United States Code (the "Bankruptcy Code"), the Federal

³ The last four (4) digits of PREPA's federal tax identification number are 3747.

Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”) and Appendix B of the *U.S. Trustee’s Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 by Attorneys in Large Chapter 11 Cases Effective as of November 1, 2013* (the “U.S. Trustee Guidelines,” and together with the Interim Compensation Order, the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, the “Code and Rules”). Pursuant to the Code and Rules, the Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit A.

2. By this Fifth Interim Fee Application, McKinsey Washington seeks allowance and payment of compensation for professional services performed by McKinsey Washington for the period from October 1, 2018 through January 31, 2019 (the “Compensation Period”) pursuant to the “Title III Support for PREPA” Scope of Work set forth in the Consulting Agreement, as defined in paragraph 10 and attached hereto as Exhibit B, in the aggregate amount of \$2,960,000.00, representing 100% of fees incurred during the Compensation Period. McKinsey Washington submits that allowance and payment of this amount are fully warranted given the actual and necessary services rendered to the Debtors by McKinsey Washington, as described in this Fifth Interim Fee Application.

BACKGROUND AND JURISDICTION

3. On May 3, 2017 (the “Petition Date”), the Commonwealth of Puerto Rico (as herein defined), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic

Stability Act (“PROMESA”), filed a petition (the “Petition”) with the United States District Court for the District of Puerto Rico (the “Court”) under Title III of PROMESA.

4. On May 5, 2017, the Puerto Rico Sales Tax Financing Corporation (“COFINA,” and together with the Commonwealth (the “Commonwealth”) of Puerto Rico, the “Debtors”), by and through the Oversight Board, as COFINA’s representative pursuant to PROMESA section 315(b), filed a petition (“COFINA’s Petition,” and together with the Commonwealth’s Petition, the “Petitions”) with the Court under Title III of PROMESA. The filings of the Petitions constitute orders for relief under Title III of PROMESA.
5. On May 9, 2017, the Debtor filed a motion seeking the joint administration of the Title III cases (the “Title III Cases”) for procedural purposes only, pursuant to PROMESA section 304(g) and Bankruptcy Rule 1015, made applicable to these Title III Cases by PROMESA section 310. On June 1, 2017, the Court ordered that the cases be consolidated for procedural purposes and be jointly administered.
6. On June 15, 2017, an Official Committee of Unsecured Creditors and an Official Committee of Retirees was appointed in the Title III case by the United States Trustee for Region 21.
7. On November 8, 2017, the Court entered *the First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which directs that professionals in the Title III Cases be paid interim compensation and outlines the procedures by which professionals are to submit, at four-month intervals, “an application for interim Court approval and allowance of the payment of compensation.”
8. On June 6, 2018, the Court entered *the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which amended certain provisions regarding the procedures by which professionals are to submit, at four-month

intervals, “an application for interim Court approval and allowance of the payment of compensation.”

9. This Court has subject matter jurisdiction over this matter pursuant to PROMESA section 306(a).

Venue is proper in this district pursuant to PROMESA section 307(a).

THE RETENTION OF MCKINSEY WASHINGTON

10. On or about July 3, 2017, McKinsey Washington and the Board entered into a contract setting forth consulting services McKinsey Washington would provide in support of the Title III litigation (First amendment effective November 1, 2017, Second amendment effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit B. The scope of work under the Consulting Agreement is divided into three (3) distinct workstreams: (i) Commonwealth Title III Support; (ii) Title III Support for PREPA; and (iii) Title III Support for HTA. This Fifth Interim Fee Application concerns the second workstream, namely Title III Support for PREPA.⁴

11. Consistent with how McKinsey Washington serves clients and prices its engagements both for the public and private sectors, McKinsey Washington’s fee structure under the Consulting Agreement for services related to Title III support for PREPA was constructed on a monthly firm fixed price basis, as set forth below for the Compensation Period:

Period of Performance	Fee
October 2018	\$740,000
November 2018	\$740,000
December 2018	\$740,000

⁴ McKinsey Washington is simultaneously serving separate Fifth Interim Fee Applications for compensation for services rendered pursuant to the other two (2) workstreams under the Consulting Agreement.

January 2019	\$740,000
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12. These monthly rates are similar to rates that McKinsey Washington charges for professional services rendered in comparable matters. Such fees are reasonable based on the customary compensation in a competitive market.
13. There is no agreement or understanding between McKinsey Washington and any other nonaffiliated person for the sharing of compensation to be received for services rendered in the Title III Cases.
14. All services performed by McKinsey Washington for which fees are requested herein were performed or incurred for and on behalf of the Debtor and were not for any other person or entity.

SUMMARY DESCRIPTION OF SERVICES PERFORMED –
TITLE III SUPPORT FOR PREPA

15. Set forth below is a brief summary of the principal matters on which McKinsey Washington provided services in connection with the Title III Support for PREPA scope of work during the Compensation Period, along with a list of the McKinsey Washington professionals who performed services during that period. In addition to this summary, comprehensive details setting forth the day-to-day activities performed and deliverables provided by McKinsey Washington professionals are included in McKinsey Washington's Monthly Fee Statements (McKinsey Washington's Tenth Monthly Fee Statement for Compensation For Services Rendered from October 1, 2018 through October 31, 2018: Title III Support for PREPA (the "Tenth Monthly Fee Statement: Title III Support for PREPA"); McKinsey Washington's Eleventh Monthly Fee Statement for Compensation For Services Rendered from November 1, 2018 through November 30, 2018: Title III Support for PREPA (the "Eleventh Monthly Fee Statement: Title III Support for PREPA");

McKinsey Washington's Twelfth Monthly Fee Statement for Compensation For Services Rendered from December 1, 2018 through December 31, 2018: Title III Support for PREPA (the "Twelfth Monthly Fee Statement: Title III Support for PREPA"); and McKinsey Washington's Thirteenth Monthly Fee Statement for Compensation For Services Rendered from January 1, 2019 through January 31, 2019: Title III Support for PREPA (the "Thirteenth Monthly Fee Statement: Title III Support for PREPA"), attached hereto as Exhibit C.

October 2018:

During October 2018, the team continued to support the implementation of measures for PREPA transformation, the Best Interest Test, Capital Planning, and the Fiscal Plan.

The team supported tracking of PREPA transformation and implementation according to the PREPA Fiscal Plan. The team tracked PREPA's progress by integrating the October 23 Side Letter meeting discussions with monthly reports delivered by PREPA's advisors and developed materials to provide the Board with visibility into PREPA's progress on implementation of the Fiscal Plan measures. The team generated reports to help better guide the overall transformation effort at PREPA. The team analyzed various scenarios of accelerated savings that PREPA could target to help reduce electricity rates.

The team prepared a detailed analysis and feedback of the October 15 PREPA implementation report and attended a working session with PREPA on October 29 to discuss progress across Fiscal Plan measures and savings targets, and addressed issues related to implementation delays.

The team worked with the FOMB staff to analyze and update dashboards summarizing highlights from PREPA's weekly reporting on financial and operations metrics. The team provided reporting to the Board on PREPA's liquidity situation and cash management as part of reporting on

emergency financing facility provided by the Commonwealth to PREPA. Regular, weekly meetings with the FOMB were held to provide a frequent update on PREPA transformation progress and raise implementation issues.

The team organized two workshops with PREPA on capital planning to share best practices on capital planning and capital project planning and delivery. The first workshop took place on October 3, where participants analyzed current capital planning process and methodology, as well as share savings and CapEx forecast for FY19-23.

The team also completed a preliminary version to assess the Best Interest Test (BIT), which is intended to support the update to the budget and fiscal plan in early 2019.

Additionally, the team reviewed and commented on a new renewable Power Purchase and Operating Agreement (PPOA) that the FOMB received from PREPA. Finally, the team conducted a detailed analysis on discrepancies observed in PREPA's employee benefits associated with workers' compensation.

The McKinsey Washington personnel who provided services related to the PREPA Title III support are set forth below:

Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Matt Rogers (Senior Partner – part time – strategic direction primarily regarding power & utilities);

Tyler Duvall (Partner – part time – overall strategic direction);

Aaron Bielenberg (Associate Partner – part time – strategic direction, primarily in power, utilities and restructuring);

Amy Wagner (Associate Partner – part time – content director in topics related to electric power and natural gas);

Przemek Garbaczewski (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement);

Willem van Schalkwyk (Associate – full-time – focus on fiscal plan tracking, Best Interest Test, implementation, and creditor engagement);

Anne-Perrine Avrin (Associate – full-time – focus on fiscal plan tracking and budget);
and

Robert Golden (Business Analyst – full-time – focus on fiscal plan tracking and budget).

The core activities and deliverables related to the PREPA Title III support during October 2018 included:

■ Best Interest Test (BIT)

- Developed preliminary analysis in support of the Restructuring Support Agreement (RSA) confirmation. This involved pressure testing the model structure, and review with internal experts

■ Creditor support

- Attended the PREPA creditor meetings on October 12 and 26 to monitor discussions and prepare notes for the FOMB Executive Director and staff
- Prepared and shared materials for the PREPA transformation and debt discussion that considers responses to receivership motion by creditors – materials include a set of accelerated operational milestones and outline additional tools the Board may implement to accelerate the transformation, including changes in the PREPA governance model

- Capital planning:
 - Organized two capital planning workshops to: i) understand the methodology behind the FY 19-23 savings and capex targets calculations and discuss progress, and ii) review the BDO budget to actuals reporting
- Liquidity
 - Continued to analyze Government Account Receivables (ARs) (and CILT) to gain a clear understanding of the ARs PREPA may expect to collect in FY 19 from all Government and non-Government sources
 - Coordinated with the FOMB to finalize the analysis of the 15-week Proposed Budget
- Fiscal Plan
 - Developed PREPA Fiscal Plan update timing options for the FOMB's consideration
 - Revised the power reform section of the Commonwealth Fiscal Plan and established implementation milestones through coordination with the FOMB
- Implementation
 - Provided regular updates to the FOMB on implementation of PREPA Fiscal Plan measures
 - Analyzed the October 15 PREPA implementation report submission and prepared notes for the FOMB's review in preparation for a meeting with PREPA on October 29
 - Received and analyzed data for renewable energy Power Purchase and Operational Agreement (PPOAs), and prepared presentation materials to assist in PREPA's renegotiation efforts

■ Client's Other stakeholder engagements

- Assessed the feasibility of the PREPA CEO's announced rate reduction plan and reviewed claims made in the monoline creditor receivership filing that followed as a response
- Prepared meeting materials with key milestones across Fiscal Plan implementation, debt restructuring and transaction for a weekly Board briefing (October 5, 12, 19 and 26)
- Led discussions with PREPA advisors to identify root causes of FEMA funding delays. Proposed a preliminary solution to investigate PREPA's claim with FEMA and assess opportunities for FOMB action to facilitate faster and more predictable reimbursements

November 2018:

During November 2018, the team supported advisors in the implementation of measures for the PREPA transformation. This included an in-depth review of the measures reported by PREPA in the November reporting package and developing a list of questions to further understand issues and concerns causing delays in implementation. These questions were reviewed with PREPA in a November 29 meeting. Regular briefings were provided to the FOMB based on progress updates reported by PREPA.

The team also analyzed weekly financial and operation reports and summarized notable impacts to the FOMB based on reports and calls related to the Side Letter and CW loan requirements. In this process, the team updated reporting on PREPA cash spent to streamline the process to review PREPA's 15-week cashflow submissions as required by the CW loan agreement. The team also continued its evaluation of the monthly Proposed Budget.

The team analyzed the interim Integrated Resource Plan (IRP) results developed by PREPA. The team conducted a detailed review of renewable generators assumptions used in the modeling and compared them to other third-party sources for validity. The team reviewed a document prepared

by PREPA explaining the October rate cut and conducted analyses to assist PREPA in informing the Board on reasons behind the rate cut.

The team also prepared a guide on organization best practices for the Energy Bureau at their request. Finally, the team supported a discussion on Demand Protection with AAFAF and the FOMB, providing expert opinion to PREPA on principles of developing a demand charge.

The McKinsey Washington personnel who provided services related to the PREPA Title III support are set forth below:

Bertil Chappuis (Senior Partner – part-time – overall strategic direction);

Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities);

Tyler Duvall (Partner – part-time – overall strategic direction);

Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring);

Amy Wagner (Associate Partner – part-time – content director in topics related to electric power and natural gas);

Przemek Garbaczewski (Engagement Manager – full-time through 11/16 – overall management and fiscal plan, model and budget, implementation, stakeholder engagement);

AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement);

Willem van Schalkwyk (Associate – full-time – focus on fiscal plan tracking, Best Interest Test, implementation, creditor engagement);

Ankit Saraf (Associate – full-time through – focus on fiscal plan tracking and budget);
and

Robert Golden (Business Analyst – full-time through 11/9 – focus on fiscal plan tracking, and budget).

The core activities and deliverables related to the PREPA Title III support during November 2018 included:

- Implementation reporting and tracking for PREPA transformation and transaction
 - Reviewed the November reporting package submission from PREPA and updated dashboards and implementation tracking templates to document expenses, savings and impact on rates associated with the various measures in the PREPA Fiscal Plan
 - Prepared materials and attended the November 29 implementation feedback session with PREPA regarding measures and savings targets, and issues related to implementation delays
 - Provided regular, weekly briefings on implementation progress to the FOMB
- Summarized Financial & Operational tracking weekly reports to the FOMB
 - Worked with the FOMB staff to analyze and interpret weekly financial and operational tracking associated with the November 27 Side Letter call and CW loan requirements
 - Prepared monthly submissions for distribution to the Board, highlighting key financial and operational metrics
 - Updated reporting on PREPA cash spent, which is critical to facilitate and standardize the review and approval of PREPA's 15-week cashflow submissions as required by the Loan Agreement

■ Proposed Budget

- Analyzed the November Proposed Budget for sustainability of cash flows, consistency with previous Proposed Budgets, and any other potential concerns
- Provided assessment of the decision to object to the Proposed Budget based on the grounds of unsustainable cash flows and payment of Christmas Bonuses

■ Integrated Resource Plan (IRP)

- Conducted a detailed review of the interim IRP results
- Analyzed modeling assumptions used in IRP and checked for robustness using benchmarks from other third-party data sources. Results were delivered to the FOMB

■ Bill reviews

- Provided a preliminary review of SB 773 and SB1121, with an emphasis on how it impacts the energy sector, including a preliminary analysis on funding requirements of the Bill

■ October rate cut

- Analyzed a PREPA document explaining the October rate cut
- Developed materials to assist PREPA in informing on reasons behind the October rate cut

■ Creditor engagement

- Attended a creditor call on November 16 to monitor questions

■ Client's Other Stakeholder engagement

- Developed a best-practice guide on the organizational structure of energy commissions, developed in response to a request from the Energy Bureau
- Supported a discussion on Demand Protection with AAFAF and FOMB, providing expert opinion on the principles of developing a demand charge

December 2018:

During December 2018, the team supported advisors in the implementation of measures for the PREPA transformation. The team scheduled five (5) separate calls with PREPA initiative owners to support detailed discussions of five measures on smart meters, CILT, Costa Sur LNG, retirement backlog, and economic dispatch. As a result, the team also identified other obstacles related to successful implementation and recommended appropriate measures to mitigate them. The team also reviewed implementation update reports by PREPA in the December reporting package and developed a list of questions to further understand issues and concerns causing delays in implementation. Regular briefings were provided to the FOMB based on progress updates reported by PREPA.

The team also initiated the development of a Tableau based dashboard aimed at improving the tracking of transformation measures. The dashboard is intended to automatically collect data from individual Excel files for each of the measures and summarize the cumulative impact on savings as well as estimated impact on rates.

The team continued its analysis of weekly financial and operation reports and summarized notable impacts to the FOMB based on reports and calls related to the Side Letter and CW loan requirements. In this report, the team also reviewed the monthly Accounts Receivable report to understand progress made by PREPA in collections, particularly on TSA entities, so as to verify PREPA's claim that progress was being made in collections.

The team continued its evaluation of the December Proposed Budget and provided an assessment to support the Board's decision to object to the Proposed Budget. In addition, the team reviewed and analyzed FY2019 Q1 budget-to-actual reports prepared by PREPA and summarized major discrepancies to the FOMB. The team led a follow up call with PREPA on December 13 to better understand these discrepancies.

In December, the team also reviewed two contracts to ensure that they do not pose a material risk in achieving the goals laid out by the Fiscal Plan. The first contract was with Foreman Electric Services for delivery of grid maintenance services, and the second was with Triple-S Salud for administration of healthcare for PREPA's active employees and retirees.

The team reviewed Citibank's Energy System Modernization Excel model and analyzed how the assumptions and results of the model compared with the Fiscal Plan, as well as the interim results of the Integrated Resource Plan.

The McKinsey Washington personnel who provided services related to the PREPA Title III support are set forth below:

Bertil Chappuis (Senior Partner – part-time – overall strategic direction);

Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities);

Tyler Duvall (Partner – part-time – overall strategic direction);

Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring);

AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement);

Willem van Schalkwyk (Associate – full-time – focus on fiscal plan tracking, contract

review);

Ankit Saraf (Associate – full-time – focus on fiscal plan tracking, contract review, budget and other); and

Sam DeFabrizio (Business Analyst – full-time through 12/10-12/21 – focus on fiscal plan tracking, budget and other).

The core activities and deliverables related to the PREPA Title III support during December 2018 included:

- Implementation reporting and tracking for PREPA transformation and transaction
 - Scheduled five (5) separate calls on December 12, 13, and 14 with initiative owner teams at PREPA to obtain a detailed progress briefing of five measures (smart meters, CILT, Costa Sur LNG, retirement backlog, and economic dispatch)
 - Prepared summaries and implications from meetings to the FOMB
 - Aligned on and drafted a broad approach for new measures on the replacement of damaged meters, the reduction of overtime spending, and acceleration in the hiring of new employees
 - Developed a draft version of a Tableau dashboard to help tracking of transformation measures. The dashboard aggregates reporting for several Excel files for individual measures and presents a single-snapshot summary, and also provides flexibility to quickly navigate through key metrics and reports for each measure
 - Provided regular, weekly briefings on implementation progress to the FOMB

- Summarized Financial & Operational tracking weekly reports to the FOMB
 - Worked with the FOMB staff to analyze and interpret weekly financial and operational tracking associated with the Side Letter call and CW loan requirements
 - Prepared monthly submissions for distribution to the Board, highlighting key financial and operational metrics
 - Updated reporting on PREPA cash spent, which is critical to facilitate and standardize the review and approval of PREPA's 15-week cashflow submissions as required by the Loan Agreement
- Proposed Budget
 - Analyzed the December Proposed Budget for sustainability of cash flows, consistency with previous Proposed Budgets, and any other potential concerns. Provided assessment to the FOMB
 - Reviewed PREPA's response on the FOMB's letter to PREPA regarding its objection of the Proposed Budget and delivered point-by-point comments to the FOMB
- Review of Budget-to-Actuals reporting
 - Reviewed and analyzed budget-to-actuals reports prepared by PREPA and summarized major discrepancies to the FOMB
 - Followed up with PREPA during a call on December 13 to better understand reasons for certain discrepancies

- Review of PREPA's current and aging Accounts Receivable
 - Reviewed monthly reports on Accounts Receivable to observe progress made by PREPA in collections, with a focus on TSA entities, to verify PREPA's claim that progress was being made in collections
- Review of Energy System Modernization (ESM) model and results
 - Conducted a detailed review of the ESM Excel model and how the assumptions and results compare to the interim results of the Integrated Resource Plan (IRP) and the Fiscal Plan least cost model
- Contract review
 - Reviewed in detail proposed contracts of Foreman Electric Services and Triple-S Salud with PREPA, including following up with PREPA with clarifying questions and phone calls
 - Developed an analysis to highlight inconsistencies with the Fiscal Plan observed in both contracts and summarized for the FOMB
- Bill review
 - Conducted a detailed review of SB 1121, including a comparison with creditors comments, and the alignment of both with the Fiscal Plan
- Capital planning best practices
 - Shared with PREPA a document detailing best practices in capital planning

January 2019:

During January 2019, the team supported advisors in the implementation of measures for the

PREPA transformation. The team scheduled eleven (11) separate meetings with PREPA initiative owners to discuss in detail the status of Fiscal Plan financial and operational measures related to vegetation management, CILT, maintenance projects, retirement backlog, economic dispatch, discussion of existing PPOA's, plant performance improvement, grid modernization, reducing overtime, installing new meters, call center operations, and contract management. From these meetings, the team identified obstacles related to successful implementation and recommended appropriate measures to mitigate them and facilitate their alignment with budget and fiscal plan goals. The team also reviewed implementation update reports by PREPA in January to form the basis of questions to further understand issues and concerns causing delays in implementation. Regular briefings were provided to the FOMB based on progress updates reported by PREPA.

The team continued its analysis of weekly financial and operation reports and summarized notable impacts to the FOMB based on reports and calls related to the Side Letter and CW loan requirements. In this report, the team also reviewed the monthly Accounts Receivable report to understand progress made by PREPA in collections, particularly on TSA entities, to verify PREPA's claim that progress was being made in collections.

In January 2019, the team also analyzed the New Fortress Energy contract to supply natural gas to San Juan 5&6 and convert the existing facility to be able to burn natural gas as fuel, to ensure that these contracts are in compliance with the Fiscal Plan and do not pose a material risk in achieving its goals. Given the value of the contract (\$1.3B), several analyses were conducted, including outside-in benchmarking of costs, supporting expert calls with LNG contract experts, and reviewing the terms and conditions to ensure the risk is appropriately managed.

The team also analyzed the contract with Foreman Electric Services that allows PREPA to provide labor, supervision, tools, equipment, and materials necessary to perform hurricane

restoration and reconstruction services at various locations in PREPA's service areas. The team reviewed to ensure that these contracts follow the Fiscal Plan and do not pose a material risk in achieving its goals.

The team further provided comments to the FOMB on Bill 1121 based on the latest iteration, including the implications of creditors' comments. Looking ahead, the team prepared an initial workplan for the creation of the fiscal plan and aligned the timelines with the FOMB's expectations. The timelines are in sync with Commonwealth fiscal plan and the fiscal plan of other instrumentalities (e.g., PRASA, HTA) that rely on data from PREPA.

Finally, the team provided its initial analysis of the proposed Public-Private Partnership Authority ("P3 Authority") Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Partnership Contracts and Sale Contracts for the Transformation of the Electric System under Act No. 120-2018, specifically on the alignment of the regulation with the Fiscal Plan.

The McKinsey Washington personnel who provided services related to the PREPA Title III support are set forth below:

Bertil Chappuis (Senior Partner – part-time – overall strategic direction);

Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities);

Tyler Duvall (Partner – part-time – overall strategic direction);

Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring);

AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement);

Ankit Saraf (Associate – full-time – focus on fiscal plan, contract review, weekly reports,

budget, and other);

Max Grass Araya (Associate – full-time – focus on implementation monitoring and reporting); and

Dumitru Dediu (Partner, Amsterdam, Expert – LNG contracts).

The core activities and deliverables related to the PREPA Title III support during January 2019 included:

- Implementation reporting and tracking for PREPA transformation and transaction
 - Facilitated five (5) calls on December 12, 13, and 14 with initiative owner teams at PREPA to obtain a detailed progress briefing of five measures (smart meters, CILT, Costa Sur LNG, retirement backlog, and economic dispatch), and prepared summaries and implications from these meetings for the FOMB
 - Drafted a broad approach for new measures on the replacement of damaged meters, the reduction of overtime spending, and acceleration in the hiring of new employees
 - Developed a draft version of a Tableau dashboard to help the tracking of transformation measures. which aggregates reporting for several Excel files for individual measures and presents a single-snapshot summary, and also provides flexibility to quickly navigate through key metrics and reports for each measure
 - Provided regular, weekly briefings on implementation progress to the FOMB
- Summarized Financial & Operational tracking weekly reports to the FOMB
 - Worked with the FOMB staff to analyze and interpret weekly financial and operational tracking associated with the Side Letter call and CW loan requirements

- Prepared monthly submissions for distribution to the Board, highlighting key financial and operational metrics
- Updated reporting on PREPA cash spent, which is critical to facilitate and standardize the review and approval of PREPA's 15-week cashflow submissions as required by the Loan Agreement
- Proposed Budget
 - Analyzed the December Proposed Budget for sustainability of cash flows, consistency with previous Proposed Budgets, and any other potential concerns, and provided assessment to the FOMB
 - Reviewed PREPA's response to the FOMB's letter to PREPA regarding its objection of the Proposed Budget and delivered point-by-point comments to the FOMB
- Review of PREPA's current and aging Accounts Receivable
 - Reviewed monthly reports on Accounts Receivable to observe progress made by PREPA in collections, with a focus on TSA entities
 - Review was used to verify PREPA's claim that progress was being made in collections
- Review of Energy System Modernization (ESM) model and results
 - Conducted a detailed review of the ESM Excel model and how the assumptions and results compare to the interim results of the Integrated Resource Plan (IRP) and the Fiscal Plan least cost model

■ Contract review

- Reviewed in detail proposed contracts with Fuel Supply contract for San Juan 5 and 6.

Given the larger size of the contract, a more detailed analysis of the contract included:

- Conducting interviews with experts on LNG fuel supply contracts
- Interviewing members of the PREPA team and their advisors for the contract to understand the underlying assumptions involved
- Conducting an analysis to validate the savings assumptions in the contract
- Providing an initial review of the contracting process, timelines and relevant contract clauses
- Reviewed in detail proposed contracts with Foreman Electric, a vendor responsible for grid restoration goods and services by:
 - Identifying funding for the contract as a key challenge
 - Conducting an analysis on the scope of work and the gaps identified in the list of projects that the contract would support

SUMMARY OF PROFESSIONAL COMPENSATION REQUESTED

Interim Fee Applications

16. On December 15, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its First Interim Fee Application, covering the compensation period July 1, 2017 through September 30, 2017 [Docket No. 2073].

17. On March 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Second Interim Fee Application, covering the period October 1, 2017 through January 31, 2018 [Docket No. 2756].
18. On July 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Third Interim Fee Application, covering the period February 1, 2018 through May 31, 2018 [Docket No. 3580].
19. On October 31, 2018, pursuant to the *Fee Examiner's Third Interim Report on Professional Fees and Expenses (February 1, 2018 – May 31, 2018)*, the Fee Examiner recommended full approval of the First, Second and Third Interim Fee Applications filed by McKinsey Washington [Docket No. 4126].
20. On November 9, 2018, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the First (May 3 through September 30, 2017), Second (October 1, 2017 through January 31, 2018), and Third (February 1 through May 31, 2018) Interim Compensation Periods* (the "Omnibus Fee Order"), this Court granted McKinsey Washington's First, Second and Third Interim Fee Applications, and authorized the Debtors to pay one hundred (100%) percent of the fees requested by McKinsey Washington for each of those compensation periods, as set forth on Exhibit A to the Omnibus Fee Order [Docket No. 4200].
21. On November 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Fourth Interim Fee Application, covering the period June 1, 2018 through September 30, 2018 [Docket No. 4333].⁵

⁵ McKinsey Washington's four prior interim fee applications are summarized as follows:

22. On March 14, 2019, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the Fourth Compensation Period (June 12, 2018 through September 30, 2018)* (the “Second Omnibus Fee Order”), this Court granted McKinsey Washington’s Fourth Interim Fee Application, and authorized the Debtors to pay one hundred (100%) percent of the fees requested by McKinsey Washington for the compensation period, as set forth on Exhibit A to the Second Omnibus Fee Order [Docket No. 5654].

Monthly Statements

23. On March 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Tenth Monthly Fee Statement for services rendered from October 1, 2018 through October 31, 2018 under the Title III Support for PREPA workstream (the “Tenth Monthly Fee Period”).

24. As reflected in the Tenth Monthly Fee Statement: Title III Support for PREPA, during the Tenth Monthly Fee Period, McKinsey Washington incurred \$740,000.00 in fees related to Title III Support for PREPA and sought payment of ninety (90%) percent of such fees (\$666,000.00) in accordance with the Interim Compensation Order.

McKinsey Workstream	First Interim Fee Application	Second Interim Fee Application	Third Interim Fee Application	Fourth Interim Fee Application
Commonwealth	\$1,480,000.00	\$6,550,000.00	\$7,237,000.001 (understated by \$500.00)	\$5,670,000.00
PREPA	\$1,480,000.00	\$2,960,000.00	\$2,960,000.00	\$2,960,000.00
HTA	\$2,160,000.00	\$1,025,000.00	\$1,585,000.00	\$1,240,000.00
Total	\$5,120,000.00	\$10,535,000.00	\$11,782,000.00	\$9,870,000.00
Total for all Workstreams for First Four Interim Fee Periods: \$37,307,000.00				

25. On March 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Eleventh Monthly Fee Statement for services rendered from November 1, 2018 through November 30, 2018 under the Title III Support for PREPA workstream (the “Eleventh Monthly Fee Period”).
26. As reflected in the Eleventh Monthly Fee Statement: Title III Support for PREPA, during the Eleventh Monthly Fee Period, McKinsey Washington incurred \$740,000.00 in fees related to Title III Support for PREPA and sought payment of ninety (90%) percent of such fees (\$666,000.00) in accordance with the Interim Compensation Order.
27. On March 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Twelfth Monthly Fee Statement for services rendered from December 1, 2018 through December 31, 2018 under the Title III Support for PREPA workstream (the “Twelfth Monthly Fee Period”).
28. As reflected in the Twelfth Monthly Fee Statement: Title III Support for PREPA, during the Twelfth Monthly Fee Period, McKinsey Washington incurred \$740,000.00 in fees related to Title III Support for PREPA and sought payment of ninety (90%) percent of such fees (\$666,000.00) in accordance with the Interim Compensation Order.
29. On March 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Thirteenth Monthly Fee Statement for services rendered from January 1, 2019 through January 31, 2019 under the Title III Support for PREPA workstream (the “Thirteenth Monthly Fee Period”).
30. As reflected in the Thirteenth Monthly Fee Statement: Title III Support for PREPA, during the Thirteenth Monthly Fee Period, McKinsey Washington incurred \$740,000.00 in fees related to

Title III Support for PREPA and sought payment of ninety (90%) percent of such fees (\$666,000.00) in accordance with the Interim Compensation Order.

31. To date, McKinsey Washington has been paid a total of \$7,965,211.76⁶ for services rendered under the Title III Support for PREPA workstream. McKinsey Washington has not received any payment for services rendered during the Compensation Period.

32. Pursuant to this Fifth Interim Fee Application, McKinsey Washington seeks an interim allowance of \$2,960,000.00, representing one hundred (100%) percent of its total fees incurred during the Compensation Period, and payment of the outstanding amount of \$2,960,000.00.

THE REQUESTED COMPENSATION SHOULD BE ALLOWED

33. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court's award of such compensation. Section 330 of the Bankruptcy Code provides that a court may award a professional "reasonable compensation for actual necessary services rendered ... and reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1). Section 330 sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded ..., the court should consider the nature, the extent, and the value of such services, taking into account all relevant factors, including-

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;

⁶ The amounts paid are "net" of any amounts withheld for tax purposes or the statutory contribution of 1.5% of McKinsey Washington's professional fees to be deposited in the General Fund.

(D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;

(E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and

(F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title 11 U.S.C. § 330(a)(3).

34. As demonstrated by this Fifth Interim Fee Application and the exhibits attached hereto, the services that McKinsey Washington rendered during the Compensation Period were reasonable, necessary and appropriate. McKinsey Washington expended its time economically and without unnecessary duplication of effort. In addition, the work conducted was carefully assigned to appropriate professionals, according to the experience and level of knowledge required for each particular task. Accordingly, approval of the compensation sought herein is warranted.

CONCLUSION

WHEREFORE, McKinsey Washington respectfully requests that the Court enter an order awarding McKinsey Washington an interim allowance for the Compensation Period in the total amount of \$2,960,000.00, directing the Debtor to pay McKinsey Washington the outstanding portion

of such interim fees in the amount of \$2,960,000.00, and granting such other relief as this Court deems just and proper.

Dated: March 18, 2019
Washington DC

McKinsey & Company, Inc. Washington DC

/s/ Tyler Duvall
Tyler Duvall, Partner
McKinsey & Company, Inc. Washington DC
1200 19th Street NW Suite 1100
Washington DC 20036
Telephone: (202) 662 0078
Email: tyler_duvall@McKinsey.com

Strategic Consultant to the Debtor

Certificate of Service

1. Notice of this Fifth Interim Fee Application has been or will be provided by overnight delivery

or e-mail to:

- i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
- iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmardini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
- v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
- vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
- vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aaneses@cstlawpr.com);
- viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq.

(rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);

- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Francisco.Pena@hacienda.pr.gov);
- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (BWilliamson@gklaw.com; KStadler@gklaw.com).

EXHIBIT A

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----X

In re: PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

Debtor.⁷

-----X

**CERTIFICATION OF TYLER DUVALL IN SUPPORT OF FIFTH INTERIM FEE
APPLICATION OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. AS
CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTOR,
PUERTO RICO ELECTRIC POWER AUTHORITY ("PREPA") FOR THE PERIOD
FROM OCTOBER 1, 2018 THROUGH JANUARY 31, 2019**

I, Tyler Duvall, certify as follows:

1. I am a Partner in the firm of McKinsey & Company, Inc. Washington DC ("McKinsey Washington"). I submit this certification with respect to the fifth interim fee application of McKinsey Washington as consulting services provider in the above-captioned case (the "Fifth Interim Fee Application") for the allowance of compensation for professional services rendered during the relevant application period.
2. I make this certification in accordance with the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, entered on June 6, 2018 [Docket Number 3269] (the "Interim Compensation Order").
3. In connection therewith, I hereby certify that:
 - (a) I have read the Fifth Interim Fee Application;
 - (b) To the best of my knowledge, information and belief formed after reasonable inquiry, the fees sought in the Fifth Interim Fee Application are in substantial compliance with the Interim Compensation Order and the United States Trustee Guidelines for

⁷ The last four (4) digits of PREPA's federal tax identification number are 3747.

Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996; and

- (c) The Debtor, the United States Trustee, the official committee of unsecured creditors and the official committee of retirees of the Debtor have been provided with a copy of the Fifth Interim Fee Application simultaneously with the filing thereof, and will have at least 10 days to review such Fifth Interim Fee Application prior to any objection deadline with respect thereto.

Dated: March 18, 2019
Washington DC

/s/ Tyler Duvall
Tyler Duvall, Partner
McKinsey & Company, Inc. Washington DC
1200 19th Street NW Suite 1100
Washington DC 20036
Telephone: (202) 662 0078
Email: tyler_duvall@McKinsey.com

EXHIBIT B

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES.** The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION.** The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY.** Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY.** Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

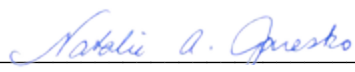
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

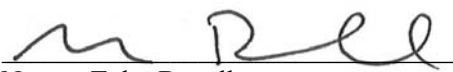
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico
(Client)

McKinsey & Company, Inc., Washington D.C.


Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017


Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko

Title: Executive Director

Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duvall

Title: Principal

Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. Measure:

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. Baseline and Macro:

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall

Title: Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT C

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re: PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

Debtor.¹

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**TENTH MONTHLY FEE STATEMENT
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. FOR COMPENSATION
FOR SERVICES RENDERED TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTOR,
PUERTO RICO ELECTRIC POWER AUTHORITY ("PREPA")
FOR THE PERIOD OCTOBER 1, 2018 THROUGH OCTOBER 31, 2018**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
("McKinsey Washington")

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: OCTOBER 1, 2018 – OCTOBER 31, 2018

Amount of compensation sought
as actual, reasonable and necessary: **\$740,000.00**

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: **\$0.00**

Type of Fee Statement: Tenth Monthly Fee Statement:
Title III Support for PREPA³

¹ The last four (4) digits of PREPA's federal tax identification number are 3747.

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Tenth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Tenth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “Interim Compensation Procedures”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey Washington”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtor, Puerto Rico Electric Power Authority (“PREPA”, the “Debtors” or the “Board”), hereby serves this Tenth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of October 2018 (the “Fee Period”) pursuant to the “Title III Support for PREPA” Scope of Work of the consulting agreement entered into between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit A. Pursuant to the Interim Compensation Procedures, Bankruptcy Code, the Bankruptcy Rules and the Local Rules, a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Tenth Monthly Fee Statement, is attached as Exhibit C.

2. By this Tenth Monthly Fee Statement: Title III Support for PREPA, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$666,000.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Procedures).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Title III Support for PREPA.³
4. Included at Exhibit D is a detailed summary of McKinsey Washington's scope of services, deliverables and team member activities performed pursuant to the Title III Support for PREPA Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁴ for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Title III Support for PREPA Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$740,000.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$666,000.00).

³ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁴ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.
7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Tenth Monthly Fee Statement: Title III Support for PREPA due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Interim Compensation Procedures, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

Notice

10. Notice of this Tenth Monthly Fee Statement: Title III Support for PREPA has been or will be provided by overnight delivery or e-mail to:

- i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
- iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmardini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
- v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
- vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
- vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aaneses@cstlawpr.com);
- viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteegen@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de

León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);

- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Franciso.Pena@hacienda.pr.gov);
- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$666,000.00, representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: March 8, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Tyler Duvall
Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Tyler_Duvall@Mckinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

Consulting Agreement

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES.** The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION.** The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY.** Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY.** Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

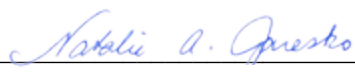
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

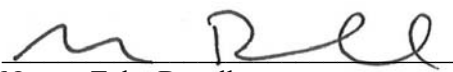
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico
(Client)

McKinsey & Company, Inc., Washington D.C.


Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017


Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko

Title: Executive Director

Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duvall

Title: Principal

Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. Measure:

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. Baseline and Macro:

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall

Title: Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Partner Tyler Duvall

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

(Jointly Administered)

Debtors.

-----X

CERTIFICATION OF TYLER DUVALL

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Tenth Monthly Fee Statement: Title III Support for PREPA are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Tenth Monthly Fee Statement: Title III Support for PREPA complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
 - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
 - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;
 - iii. The amount of this invoice is reasonable;

- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 8, 2019
Washington, DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

-----X

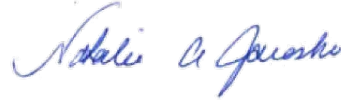
**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF OCTOBER 2018**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight and Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in October 2018 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of October 2018, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: March 6, 2019

A handwritten signature in blue ink, appearing to read "Natalie Jaresko", is positioned above a horizontal line.

Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for PREPA

October 2018

Summary of Work

During the month of October, the PREPA Title III team continued to support on implementation of measures for PREPA transformation, Best Interest Test, Capital Planning, and Fiscal Plan.

The team supported tracking of PREPA transformation and implementation according to the PREPA Fiscal Plan. The team tracked PREPA's progress by integrating the October 23rd Side Letter meeting discussions with monthly reports delivered by PREPA's advisors and provided the Board with visibility into PREPA's progress on implementation of the Fiscal Plan measures. Implementation reporting focused on generating reports to help better guide the overall transformation effort at PREPA. The PREPA Title III team analyzed various scenarios of accelerated savings that PREPA could target to help reduce electricity rates.

The team prepared a detailed analysis and feedback of the October 15th PREPA implementation report and attended a working session with PREPA on October 29th to discuss progress across Fiscal Plan measures and savings' targets, and addressed issues related to implementation delays.

The team worked with FOMB staff to analyze and update dashboards summarizing highlights from PREPA's weekly reporting on financial and operations metrics. The PREPA Title III team provided reporting to the Board on PREPA's liquidity situation and cash management as part of reporting on emergency financing facility provided by the Commonwealth to PREPA. Regular, weekly meetings with FOMB were held to provide regular update on PREPA transformation progress and raise implementation issues.

The team organized two workshops with PREPA on capital planning to share best practices on capital planning and approach to help PREPA think through and improve capital project planning and delivery. The first workshop took place on October 3rd, which was intended for PREPA to review PREPA's current capital planning process and methodology, as well as share savings and CapEx forecast for FY19-23.

The team also completed a preliminary version to assess the Best Interest Test (BIT), which is intended to support the update to the budget and fiscal plan in early 2019.

Additionally, the team reviewed and commented on a new renewable Power Purchase and Operating Agreement (PPOA) that the FOMB received from PREPA. Finally, the team also

conducted a detailed analysis on discrepancies observed in PREPA's employee benefits associated with worker's compensation.

McKinsey Washington's PREPA Title III Team Detailed Activities by Deliverable

- **Best Interest Test (BIT)**
 - Developed an Excel model and a memo on the iteration on the BIT to support the Restructuring Support Agreement (RSA) confirmation. This involved pressure testing the model structure, and review with internal experts
- **Creditor support**
 - Attended the PREPA creditor meeting on 12th and 26th October to monitor discussions and provide key takeaways to FOMB Executive Director and staff
 - Prepared and shared with client materials for the PREPA transformation and debt discussion that considers responses to receivership motion by creditors – materials include a set of accelerated operational milestones and outline additional tools that the Board can use to speed up the transformation, including change in PREPA governance model
- **Capital planning:**
 - Organized two capital planning workshops to: i) understand the methodology behind the FY 19-23 savings and capex targets calculations and discuss progress, and ii) review the BDO budget to actuals reporting
- **Liquidity**
 - Continued to analyze government Account Receivables (ARs) (and CILT) to gain a clear understanding of the ARs PREPA can expect to collect in FY 19 from all government and non-government sources
 - Coordinated with FOMB to finalize the analysis of the 15-week Proposed Budget
- **Fiscal Plan**
 - Developed PREPA Fiscal Plan update timing options for FOMB consideration
 - Revised the power reform section of the Commonwealth Fiscal Plan and established implementation milestones through coordination with FOMB
- **Implementation**
 - Provided regular updates to FOMB on implementation of PREPA Fiscal Plan measures
 - Analyzed October 15th PREPA implementation report submission and summarized takeaways for FOMB review in preparation for a meeting with PREPA on October 29th
 - Received and analyzed data for renewable energy Power Purchase and Operational Agreement (PPOAs), and prepared presentation materials to assist in PREPA's renegotiation efforts
- **Client's Other stakeholder engagements**

- Assessed feasibility of PREPA CEO's announced rate reduction plan and reviewed claims made in the monoline creditor receivership filing that followed as a response
- Prepared meeting materials with key milestones across FP implementation, debt restructuring and transaction for Board briefing on a weekly basis (October 5th, 12th, 19th and 26th)
- Led discussions with PREPA advisors to identify root causes of FEMA funding delays. Proposed a preliminary solution to investigate PREPA's claim with FEMA and assess opportunities for FOMB action to facilitate faster and more predictable reimbursements

McKinsey Washington's PREPA Title III Team Detail and Contributions

The McKinsey team was led by Partners (Tyler Duvall, Bertil Chappuis and Matt Rogers) who provided overall quality control and stakeholder management as well as an Expert Associate Partner (Aaron Bielenberg) who led the working team. An additional Associate Partner (Amy Wagner) provided expert content. The Working team consisted of one Engagement Manager, two full-time Associates, and a Business Analyst.

- Bertil Chappuis (Senior Partner – part-time – overall strategic direction):
 - Participated in meetings with Board Staff regarding the implementation of the PREPA Fiscal Plan and development of the budget
 - Participated in weekly executive Board meetings and advised on key PREPA decisions on the implementation of the PREPA Fiscal Plan
 - Participated in working sessions regarding PREPA's implementation progress
- Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities)
 - Provided overall quality control on team content and stakeholder management with Board, FOMB staff, and co-advisors
 - Attended weekly working sessions with team to guide content and scope of team engagement
 - Provided expert input into the demand protection memorandum in response to creditor rate structure proposal and participated in numerous working sessions on the topic
 - Attended weekly Executive Level calls and provided expert input to assist with material development and analyses to inform Board discussions related to PREPA transaction and transformation
 - Assisted with final development and PREPA workshop preparation on capital planning allocation
 - Provided input on the response to the PREPA CEO's 3.4-3.9 c/kWh rate reduction proposal

- Analyzed October 15th implementation updates from PREPA and supported development of related materials for FOMB
- Reviewed Best-Interest-Test model structure and continued to provide guidance to the team on modules related to federal funding, cost scalars, energy efficiency, and distributed generation
- Provided expert input into the FOMB response to creditor receivership proposal related to the PREPA transformation and debt discussions
- Provided expert input and feedback to the October 30th meeting with FEMA to discuss delays in funding disbursements for PREPA disaster recovery efforts
- Tyler Duvall (Partner – part-time – overall strategic direction)
 - Participated in weekly working sessions with team to guide work and address cross team issues and ensure consistency of deliverables where appropriate
 - Guided strategy for engagement with the Federal Government on PREPA Fiscal Planning and privatization process
 - Supported process to develop budgetary provisions and refine Fiscal Plan reporting to drive compliance with the Fiscal Plan
- Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring)
 - Co-led weekly conversations with Board members, Executive Director and staff to evolve PREPA Title III strategy and approach
 - Participated in daily working sessions with team to guide work, address cross team issues, and provide content knowledge
 - Attended weekly FOMB Executive Level calls and provided expert input to assist with material development and analyses to inform Board discussions related to PREPA transaction and transformation
 - Provided high-level expert input for all team deliverables (implementation updates of PREPA Fiscal Plan measures, financial & operational tracking, cashflow approvals, regulatory reform, budget related materials, demand protection memorandum, rate trajectory scenario analysis, savings tracker, milestone tracker etc.)
 - Continued to co-lead PREPA Fiscal Plan implementation reporting feedback to provide PREPA with guidance around how to address flaws in reporting package provided
 - Analyzed detailed feedback from the October 15th PREPA implementation report submission and provided expert input and co-led the October 29th implementation feedback session with PREPA and advisors to discuss measures and savings targets, and issues related to implementation delays
 - Led FOMB response to creditor receivership proposal related to the PREPA transformation and debt discussions and coordinated engagement with Proskauer and other stakeholders
 - Provided expert review of the BDO budget to actuals reporting process and tools

- Assisted with final development and PREPA workshops preparation on capital planning allocation
- Provided input on the response to the PREPA CEO's 3.4-3.9 c/kWh rate reduction proposal
- Worked with Proskauer on UTIER Rule 2004 to gather information across several measures in the PREPA Fiscal Plan that was later shared with external stakeholders
- Attended the October 23rd Side Letter call and provided expert review of key takeaways and next steps related to PREPA transformation
- Assisted with the ongoing analysis of accounts receivables and CILT obligations owed to PREPA by Puerto Rican government entities and assisted with strategy development to achieve full repayment of PREPA obligations by the Commonwealth government entities
- Attended the October 5th and 19th calls among CWG and government parties to monitor discussions related to PREPA specific topics e.g. transformation, creditor demand charge protection terms and provided direction to the team on required analyses and stakeholder engagement required
- Provided expert input and feedback to the October 30th meeting with FEMA to discuss delays in funding disbursements for PREPA disaster recovery efforts
- Amy Wagner (Associate Partner – part-time – content director in topics related to electric power and natural gas)
 - Analyzed October 15th implementation updates from PREPA and supported development of materials for FOMB and Board updates
 - Provided expert input into developing the Best Interest Test model, including
 - refining and testing assumptions with experts
 - advising the team on model functionality
 - performing research to substantiate assumptions and approach
 - Reviewed a detailed-report on logic of the Best Interest Test
 - Provided expert input into the demand protection memorandum in response to creditor rate structure proposal and participated in numerous working sessions on the topic
 - Attended weekly Executive Level calls and provided expert input to assist with material development and analyses to inform Board discussions related to PREPA transaction and transformation
 - Provided expert input into the FOMB response to creditor receivership proposal related to the PREPA transformation and debt discussions
- Przemek Garbaczewski (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement)
 - Coordinated interactions with PREPA advisory group
 - Convened the October 23rd operational Side Letter reporting meeting with PREPA

- Organized and co-led daily working sessions with team to guide work and address cross team issues and provide content knowledge
 - Analyzed detailed feedback from the October 15th PREPA implementation report submission and convened and led October 29th implementation feedback session with PREPA and advisors to discuss measures and savings targets, and issues related to implementation delays
 - Attended working sessions on Best Interest Test model development, provided input and discussed assumptions and progress to-date
 - Attended weekly Executive Level calls and oversaw analyses and material development to inform Board discussions related to PREPA transaction and transformation
 - Attended the October 5th and 19th calls among CWG and government parties to monitor discussions related to PREPA specific topics e.g. transformation, creditor demand charge protection terms
 - Analyzed the demand protection terms memorandum and provided input
 - Led discussions on final alignment regarding PREPA's Fiscal Plan and Budget certification
 - Coordinated efforts to reconcile the amount of Federal Funds to be reflected within the Commonwealth and PREPA budgets
 - Led analysis and alignment with the Commonwealth team on the power cost and account receivable reconciliation between PREPA and the Puerto Rico Commonwealth budgets
 - Led response to the PREPA CEO's 3.4-3.9 c/kWh rate reduction plan and reviewed claims made in the monoline creditor receivership filing
 - Conducted analysis of the rate setting process between PREPA and PREB and presented findings to FOMB
 - Coordinated with FOMB and provided direct input into the revision of the power reform section of the Commonwealth Fiscal Plan document
 - Attended the October 30th meeting with FEMA to discuss delays in funding disbursements for PREPA disaster recovery efforts
 - Collaborated with FOMB staff to publish PREPA Fiscal Plan savings' targets to be officially published on the FOMB website
- Willem van Schalkwyk (Associate – full-time – focus on fiscal plan tracking, Best Interest Test, implementation, and creditor engagement)
- Analyzed October 15th implementation updates from PREPA and prepared materials for Board update – including developing a list of key decisions required to ensure implementation progress stays on track
 - Developed analysis on implications of receivership motion on implementation progress – and outlined potential execution models

- Performed due diligence on CEO rate announcement by comparing rates announced to information received during implementation updates
- Developed materials for board on key implementation milestones (and current status) for FY18
- Led efforts to finalize the first draft of the Best Interest Test (BIT) and led working sessions with leadership and McKinsey experts to test model functionality and completeness
- Collaborated on the development of a memo documenting the structure of the Best Interest Test, to be handed over with model
- Finalized analysis of PREPA employee benefits to address issues related to sick leave policy and its use by employees
- Analyzed data on renewable PPOAs and prepared materials to assist PREPA's in the renewable PPOA renegotiation efforts
- Started the analysis of PREPA's preliminary IRP presentation to understand its implications on the Fiscal Plan and restructuring efforts
- Anne-Perrine Avrin (Associate – full-time – focus on fiscal plan tracking and budget)
 - Developed materials comparing Siemens Integrated Resource Plan (IRP) *electricity generation capacity* assumptions to assumptions in Fiscal Plan Transformation case
 - Analyzed October implementation updates from PREPA and developed of materials for Board update
 - Refined rate trajectory model with various rate scenarios based on implementation updates received from PREPA
 - Completed Best Interest Test model development, including
 - refining and testing assumptions with experts
 - developing model functionality
 - performing research to substantiate assumptions and approach
 - running BIT model under a few scenarios including base-case
 - Documented logic developed for Best Interest Test
 - Developed materials to support Board discussion acceleration of implementation through budget
 - Conducted analysis to outline rate projections to inform FOMB Executive Director and staff discussions
- Robert Golden (Business Analyst – full-time – focus on fiscal plan tracking and budget)
 - Created an implementation tracking spreadsheet to share with PREPA to track interim milestones for Fiscal Plan Implementation

- Synthesized creditor call and the October 23rd side letter call notes and provided written and verbal feedback to FOMB. Compiled materials to be shared following request from UTIER creditor group
- Analyzed the 15-week cash flow report (the “Proposed Budget”) and provided coaching to the FOMB staff, resulting in the final approval decision of the monthly PREPA budget on November 2nd. Provided training to FOMB staff on how to conduct the Proposed Budget assessment
- Analyzed and built paper-flow document outlining current Fiscal Plan reporting cadence and inputs received by the McKinsey team and FOMB output required to reduce unnecessary reporting
- Created a document to update FOMB on the progress of intersecting workstreams required for PREPA’s transformation, working with Proskauer and other FOMB advisors
- Drafted a feedback letter to be ready to send depending on outcome of Fiscal Plan implementation working session
- Conducted analyses on PREPA’s outstanding accounts receivable and accounts payable to inform plans for collection and payment

EXHIBIT E

October 2018 Invoice

McKinsey&Company

The Financial Oversight and Management
Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USG-GPC025-5379

Consulting Agreement
Client for Strategic Consulting support related to the
Title III Cases
Effective Agreement Date: July 3, 2017

Invoice Date: 11/19/2018

Net 30

FFP Payment Schedule for PREPA Services

Invoice PoP: October 1, 2018 – October 31, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$	557,027.02
Gross invoice amount for services performed in Puerto Rico:	\$	257,708.42
Subtotal	\$	814,735.44
Less withholding tax deducted at source	\$	(74,735.44)
Net Invoice Payable:	\$	740,000.00

Total Invoice Amount: \$740,000.00

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: 30420698
Bank ABA Routing Number: 021000089

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re: PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

Debtor.¹

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**ELEVENTH MONTHLY FEE STATEMENT
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. FOR COMPENSATION
FOR SERVICES RENDERED TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTOR,
PUERTO RICO ELECTRIC POWER AUTHORITY ("PREPA")
FOR THE PERIOD NOVEMBER 1, 2018 THROUGH NOVEMBER 30, 2018**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
("McKinsey Washington")

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: November 1, 2018 – November 30, 2018

Amount of compensation sought
as actual, reasonable and necessary: **\$740,000.00**

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: **\$0.00**

Type of Fee Statement: Eleventh Monthly Fee Statement:
Title III Support for PREPA³

¹ The last four (4) digits of PREPA's federal tax identification number are 3747.

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Eleventh Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Eleventh Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “Interim Compensation Procedures”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey Washington”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtor, Puerto Rico Electric Power Authority (“PREPA”, the “Debtors” or the “Board”), hereby serves this Eleventh Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of November 2018 (the “Fee Period”) pursuant to the “Title III Support for PREPA” Scope of Work of the consulting agreement entered into between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit A. Pursuant to the Interim Compensation Procedures, Bankruptcy Code, the Bankruptcy Rules and the Local Rules, a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Eleventh Monthly Fee Statement, is attached as Exhibit C.

2. By this Eleventh Monthly Fee Statement: Title III Support for PREPA, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$666,000.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Procedures).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Title III Support for PREPA.³
4. Included at Exhibit D is a detailed summary of McKinsey Washington's scope of services, deliverables and team member activities performed pursuant to the Title III Support for PREPA Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁴ for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Title III Support for PREPA Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$740,000.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$666,000.00).

³ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁴ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.
7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Eleventh Monthly Fee Statement: Title III Support for PREPA due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Interim Compensation Procedures, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

Notice

10. Notice of this Eleventh Monthly Fee Statement: Title III Support for PREPA has been or will be provided by overnight delivery or e-mail to:

- i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
- iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmardini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
- v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
- vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
- vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aaneses@cstlawpr.com);
- viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn:

Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);

- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Franciso.Pena@hacienda.pr.gov);
- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$666,000.00, representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: March 8, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Tyler Duvall
Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Tyler_Duvall@Mckinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

***Consulting Services Agreement
Between McKinsey Washington and the Board
In Support of the Title III Litigation
(entered in on or about and July 3, 2017, Amendment No. 1 effective
November 1, 2017, Amendment No. 2 effective April 1, 2018
(the “Consulting Agreement”)***

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES.** The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION.** The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY.** Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY.** Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

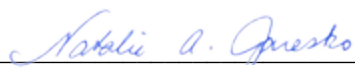
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

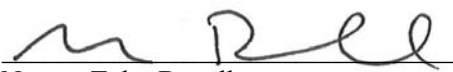
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico
(Client)

McKinsey & Company, Inc., Washington D.C.


Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017


Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko

Title: Executive Director

Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duvall

Title: Principal

Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. Measure:

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. Baseline and Macro:

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall

Title: Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Partner Tyler Duvall

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

(Jointly Administered)

Debtors.

-----X

CERTIFICATION OF TYLER DUVALL

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Eleventh Monthly Fee Statement: Title III Support for PREPA are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Eleventh Monthly Fee Statement: Title III Support for PREPA complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
 - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
 - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;

- iii. The amount of this invoice is reasonable;
- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 8, 2019
Washington, DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

-----X

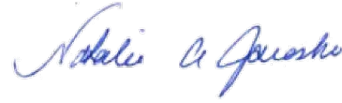
**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF NOVEMBER 2018**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight and Management Board for Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in November 2018 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of November 2018, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: March 6, 2019

A handwritten signature in blue ink, appearing to read "Natalie Jaresko", is positioned above a horizontal line.

Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for PREPA

November 2018

Summary of Work

During the month of November, the PREPA Title III team supported advisors in implementation of measures for PREPA transformation. This included an in-depth review of the measures reported by PREPA in the November reporting package and developing a list of questions to further understand issues and concerns causing delays in implementation. These questions were reviewed with PREPA in a November 29th meeting. Regular briefings were provided to the FOMB based on progress updates reported by PREPA.

The team also analyzed weekly financial and operation reports and summarized notable impacts to the FOMB based on reports and calls related to the Side Letter and CW loan requirements. In this process, the team updated reporting on PREPA cash spent to streamline the process to review PREPA's 15-week cashflow submissions as required by the CW loan agreement. The team also continued its evaluation of the monthly Proposed Budget.

The team analyzed the interim Integrated Resource Plan (IRP) results developed by PREPA. The team conducted a detailed review of renewable generators assumptions used in the modeling and compared them to other third-party sources for validity. The team reviewed a document prepared by PREPA explaining the October rate cut and conducted analyses to help PREPA inform the Board on reasons behind the rate cut.

The team also prepared a guide on organization best practices for the Energy Bureau at their request. Finally, the team supported a discussion on Demand Protection with AAFAF and FOMB, providing expert opinion to PREPA on principles of developing a demand charge.

McKinsey Washington's PREPA Title III Team Detailed Activities by Deliverable

- Implementation reporting and tracking for PREPA transformation and transaction
 - Reviewed November reporting package submission from PREPA and updated dashboards and implementation tracking templates to document expenses, savings and impact on rates associated with the various measures in the PREPA Fiscal Plan
 - Prepared materials and attended the November 29th implementation feedback session with PREPA regarding measures and savings targets, and issues related to implementation delays
 - Provided regular, weekly briefings on implementation progress to FOMB

- Summarized Financial & Operational tracking weekly reports to FOMB
 - Worked with FOMB staff to analyze and interpret weekly financial and operational tracking associated with the November 27th Side Letter call and CW loan requirements
 - Prepared monthly submissions for distribution to the Board highlighting key financial and operational metrics
 - Updated reporting on PREPA cash spent, which is critical to facilitate and standardize the review and approval of PREPA's 15-week cashflow submissions as required by the Loan Agreement
- Proposed Budget
 - Analyzed November Proposed Budget for sustainability of cash flows, consistency with previous Proposed Budgets, and any other potential concerns
 - Provided assessment of the decision to object to the Proposed Budget based on the grounds of unsustainable cash flows and payment of Christmas Bonus
- Integrated Resource Plan (IRP)
 - Conducted a detailed review of the interim IRP results
 - Analyzed modeling assumptions used in IRP and checked for robustness using benchmarks from other third-party data sources. Results were delivered to FOMB
- Bill reviews
 - Provided a preliminary review of SB 773, with an emphasis on how it impacts the energy sector, including a preliminary analysis on funding requirements of the bill
 - Provided initial review and comments on SB 1121
- October rate cut
 - Analyzed PREPA document explaining October rate cut
 - Developed materials to help PREPA inform on reasons behind October rate cut
- Creditor engagement
 - Attended creditor call on 11/16 to monitor questions
- Client's Other Stakeholder engagement
 - Developed a best-practice guide on organizational structure of energy commissions, developed in response to a request from the Energy Bureau
 - Supported a discussion on Demand Protection with AAFAF and FOMB, providing expert opinion on principles of developing a demand charge

McKinsey Washington's PREPA Title III Team Detail and Contributions

The McKinsey team was led by Partners (Tyler Duvall, Bertil Chappuis and Matt Rogers) who provided overall quality control and stakeholder management, as well as an Expert Associate Partner (Aaron Bielenberg) who led the working team. An additional Associate Partner (Amy

Wagner) provided expert content. The Working team consisted of two Engagement Managers, two full-time Associates, and one Business Analyst.

- Bertil Chappuis (Senior Partner – part-time – overall strategic direction):
 - Participated in meetings with Board Staff regarding the implementation of the PREPA Fiscal Plan and development of the budget
 - Participated in weekly executive Board meetings and advised on key PREPA decisions on the implementation of the PREPA Fiscal Plan
 - Participated in working sessions regarding PREPA’s implementation progress
- Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities)
 - Provided overall quality control on team content and stakeholder management with Board, FOMB staff, and co-advisors
 - Attended selected working sessions with team to guide content and scope of team engagement
 - Reviewed memo on Demand Charges and provided comments on changes suggested with respect to the risk taken and recovery sought by the bondholders
 - Provided expert perspective on the robustness of assumptions used in modeling the interim Integrated Resource Plan, the impact it may have on the modeling results, and what changes are necessary
 - Provided review and guidance on best practices for organizational structure of energy commissions, which was developed in response to a request from the Energy Bureau
- Tyler Duvall (Partner – part-time – overall strategic direction)
 - Participated in weekly working sessions with team to guide work, address cross team issues, and ensure consistency of deliverables where appropriate
 - Guided stakeholder management at the FOMB staff and Board level
- Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring)
 - Co-led weekly conversations with Board members, Executive Director and staff to evolve PREPA Title III strategy and approach
 - Participated in daily working sessions with team to guide work, address cross team issues, and provide content knowledge
 - Attended executive level Board meetings to review progress and advise on key PREPA decisions on the implementation of the PREPA Fiscal Plan
 - Supervised all team deliverables (implementation updates of PREPA Fiscal Plan measures, financial & operational tracking, cashflow approvals, regulatory reform, publication of PREPA models)
 - Continued to co-lead PREPA Fiscal Plan implementation reporting feedback to provide PREPA with guidance around how to address obstacles faced during implementation

- Reviewed list of initiatives prioritized to achieve 1 cent per kWh reduction in rates by March 2019 and discussed implications with FOMB
- Reviewed insights from SB 1121 and SB 773 and presented to FOMB
- Provided comprehensive update to FOMB on PREPA in a meeting on November 15th, covering topics such as status of implementation measures, savings achieved versus projected, and overall financial and operational status
- Amy Wagner (Associate Partner – part-time – content director in topics related to electric power and natural gas)
 - Provided comments on interim Integrated Resource Plan, its results and implications on compliance with the Fiscal Plan
 - Participated in weekly working sessions with team to guide work, address cross team issues, and provide content knowledge
 - Reviewed memo on Demand Charges and provided comments on changes suggested with respect to the risk taken and recovery sought by the bondholders
 - Participated in working sessions on SB 1121 to understand implications of key provisions on net metering and interconnection, on affordability to ratepayers in Puerto Rico, as well as on the safety of grid workers
 - Reviewed and commented on suggested areas of revisions in SB 1121, including changes to language on net metering provision
- Przemek Garbaczewski (Engagement Manager – full-time through 11/16 – overall management and fiscal plan, model and budget, implementation, stakeholder engagement)
 - Coordinated interactions with PREPA advisory group
 - Attended weekly Executive Level calls and oversaw analyses and material development to inform Board discussions related to PREPA transaction and transformation
 - Reviewed PREPA document explaining October rate cut and prepared follow up questions to PREPA to get full clarity on this topic
- AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement)
 - Attended weekly Executive Level calls and oversaw analyses and material development to inform Board discussions related to PREPA transaction and transformation
 - Attended working sessions with utility experts to understand reserve margin requirements in companies that are similar to PREPA
 - Led working sessions on the interim results of the Integrated Resource Plan and prepared questions for PREPA to better understand modeling assumptions and methodology
 - Participated in working sessions related to the November Proposed Budget to help determine the sustainability of projected cash flows
 - Co-led meeting with PREPA and FOMB for a thorough review of each of the Fiscal Plan measures based on the latest implementation update received

- Willem van Schalkwyk (Associate – full-time – fiscal plan tracking, Best Interest Test, implementation, creditor engagement)
 - Co-reviewed October implementation updates from PREPA and developed materials for Board update
 - Finalized Fiscal Plan and Budget workplan for FY20, incorporating feedback received from FOMB
 - Developed documents with best practices for organizational structure of energy commissions, which was developed in response to a request from the Energy Bureau
 - Reviewed in detail a vendor contract on grid restoration services and listed questions for PREPA to ensure that there were sufficient funds to cover contract expenses
- Ankit Saraf (Associate – full-time through – focus on fiscal plan tracking and budget)
 - Led initial assessment of SB 1121 (energy bill), its impacts on the Fiscal Plan, and shared findings with FOMB
 - Led initial assessment of SB 773 (climate change mitigation bill), its impacts on the Fiscal Plan, and shared findings with FOMB
 - Co-reviewed October implementation updates from PREPA and developed materials for Board update
 - Developed a framework to prioritize implementation measures to understand how a 1 cent per kWh reduction could be achieved by March 2019
 - Analyzed best practices on how utilities adjust for fluctuations in fuel prices in rates, to assess if a similar model could be applied to PREPA
 - Analyzed reserve margin requirements in other utilities similar to PREPA to understand optimal planning reserve margins PREPA should aim for
- Robert Golden (Business Analyst – full-time through 11/9 – focus on fiscal plan tracking, and budget)
 - Prepared materials for comprehensive update to FOMB on PREPA on November 15th, covering topics such as status of implementation measures, savings achieved versus projected, and overall financial and operational status

EXHIBIT E

November 2018 Invoice

McKinsey&Company

The Financial Oversight and Management
Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: 5419

Consulting Agreement
Client for Strategic Consulting support related to the
Title III Cases
Effective Agreement Date: July 3, 2017

Invoice Date: 12/14/2018

Net 30

FFP Payment Schedule for PREPA Services

Invoice PoP: November 1, 2018 – November 30, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$	574,367.20
Gross invoice amount for services performed in Puerto Rico:	\$	233,285.63
Subtotal	\$	807,652.83
Less withholding tax deducted at source	\$	(67,652.83)
Net Invoice Payable:	\$	740,000.00

Total Invoice Amount: \$740,000.00

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: 30420698
Bank ABA Routing Number: 021000089

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re: PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

Debtor.¹

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**TWELFTH MONTHLY FEE STATEMENT
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. FOR COMPENSATION
FOR SERVICES RENDERED TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTOR,
PUERTO RICO ELECTRIC POWER AUTHORITY ("PREPA")
FOR THE PERIOD DECEMBER 1, 2018 THROUGH DECEMBER 31, 2018**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
("McKinsey Washington")

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: DECEMBER 1, 2018 – DECEMBER 31, 2018

Amount of compensation sought
as actual, reasonable and necessary: **\$740,000.00**

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: **\$0.00**

Type of Fee Statement: Twelfth Monthly Fee Statement:
Title III Support for PREPA³

¹ The last four (4) digits of PREPA's federal tax identification number are 3747.

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Twelfth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Twelfth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “Interim Compensation Procedures”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey Washington”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtor, Puerto Rico Electric Power Authority (“PREPA”, the “Debtors” or the “Board”), hereby serves this Twelfth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of December 2018 (the “Fee Period”) pursuant to the “Title III Support for PREPA” Scope of Work of the consulting agreement entered into between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit A. Pursuant to the Interim Compensation Procedures, Bankruptcy Code, the Bankruptcy Rules and the Local Rules, a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Twelfth Monthly Fee Statement, is attached as Exhibit C.

2. By this Twelfth Monthly Fee Statement: Title III Support for PREPA, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$666,000.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Title III Support for PREPA.³
4. Included at Exhibit D is a detailed summary of McKinsey Washington's scope of services, deliverables and team member activities performed pursuant to the Title III Support for PREPA Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁴ for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Title III Support for PREPA Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$740,000.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$666,000.00).

³ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁴ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.
7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Twelfth Monthly Fee Statement: Title III Support for PREPA due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Interim Compensation Procedures, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

Notice

10. Notice of this Twelfth Monthly Fee Statement: Title III Support for PREPA has been or will be provided by overnight delivery or e-mail to:

- i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
- iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmardini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
- v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
- vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
- vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aaneses@cstlawpr.com);
- viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn:

Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);

- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Franciso.Pena@hacienda.pr.gov);
- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$666,000.00, representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: March 8, 2019
Washington DC

McKinsey & Company, Inc. Washington DC

s/Tyler Duvall
Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Tyler_Duvall@Mckinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

Consulting Agreement

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES.** The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION.** The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY.** Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY.** Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

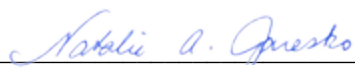
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

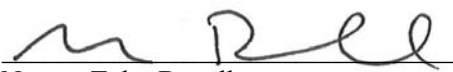
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico
(Client)

McKinsey & Company, Inc., Washington D.C.


Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017


Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko

Title: Executive Director

Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duvall

Title: Principal

Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. Measure:

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. Baseline and Macro:

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall

Title: Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Partner Tyler Duvall

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

(Jointly Administered)

Debtors.

-----X

CERTIFICATION OF TYLER DUVALL

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Twelfth Monthly Fee Statement: Title III Support for PREPA are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Twelfth Monthly Fee Statement: Title III Support for PREPA complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
 - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
 - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;

- iii. The amount of this invoice is reasonable;
- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 8, 2019
Washington, DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

-----X

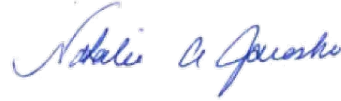
**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF DECEMBER 2018**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight and Management Board for Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in December 2018 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of December 2018, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: March 6, 2019



Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for PREPA

December 2018

Summary of Work

During the month of December, the PREPA Title III team supported advisors in implementation of measures for PREPA transformation. The team scheduled 5 separate calls with PREPA initiative owners to support detailed discussions of 5 measures on smart meters, CILT, Costa Sur LNG, retirement backlog, and economic dispatch. As a result, the team also identified other obstacles related to successful implementation and recommended appropriate measures to mitigate them. The team also reviewed implementation update reports by PREPA in the December reporting package and developed a list of questions to further understand issues and concerns causing delays in implementation. Regular briefings were provided to the FOMB based on progress updates reported by PREPA.

The team also initiated the development of a Tableau based dashboard aimed at improving the tracking of transformation measures. The dashboard is intended to automatically collect data from individual Excel files for each of the measures and summarize the cumulative impact on savings as well as estimated impact on rates.

The team continued its analysis of weekly financial and operation reports and summarized takeaways and notable impacts to the FOMB based on reports and calls related to the Side Letter and CW loan requirements. In this report, the team also reviewed the monthly Accounts Receivables report to understand progress made by PREPA in collections, particularly on TSA entities, so as to verify PREPA's claim that there was progress being made in collections.

The team continued its evaluation of the December Proposed Budget and provided assessment to support the Board's decision to object to the Proposed Budget. In addition, the team reviewed and analyzed FY2019 Q1 budget-to-actual reports prepared by PREPA and summarized major discrepancies to the FOMB. The team led a follow up call with PREPA on December 13 to better understand these discrepancies.

In December, the team also reviewed two contracts to ensure that these contracts do not pose a material risk in achieving the goals laid out by the Fiscal Plan. The first contract was with Foreman Electric Services for delivery of grid maintenance services and the second was with Triple-S Salud for administration of healthcare for PREPA's active employees and retirees.

The team reviewed Citibank's Energy System Modernization Excel model and analyzed how the

assumptions and results of the model compared with the Fiscal Plan, as well as the interim results of the Integrated Resource Plan.

McKinsey Washington's PREPA Title III Team Detailed Activities by Deliverable

- Implementation reporting and tracking for PREPA transformation and transaction
 - Scheduled 5 separate calls December 12, 13, and 14 with initiative owner teams at PREPA to obtain a detailed progress briefing of 5 measures (smart meters, CILT, Costa Sur LNG, retirement backlog, and economic dispatch)
 - Prepared summaries and implications from meetings to FOMB
 - Aligned on and drafted broad approach for new measures on replacement of damaged meters, reduction of overtime spending, and acceleration in hiring of new employees
 - Developed a draft version of a Tableau dashboard to help tracking of transformation measures. The dashboard aggregates reporting for several Excel files for individual measures and presents a single-snapshot summary, and also provides flexibility to quickly navigate through key metrics and reports for each measure
 - Provided regular, weekly briefings on implementation progress to FOMB
- Summarized Financial & Operational tracking weekly reports to FOMB
 - Worked with FOMB staff to analyze and interpret weekly financial and operational tracking associated with Side Letter call and CW loan requirements
 - Prepared monthly submissions for distribution to the Board highlighting key financial and operational metrics
 - Updated reporting on PREPA cash spent, which is critical to facilitate and standardize the review and approval of PREPA's 15-week cashflow submissions as required by the Loan Agreement
- Proposed Budget
 - Analyzed December Proposed Budget for sustainability of cash flows, consistency with previous Proposed Budgets, and any other potential concerns. Provided assessment to FOMB
 - Reviewed PREPA's response on FOMB's letter to PREPA regarding objection of the Proposed Budget and delivered point-by-point comments to FOMB
- Review of Budget-to-Actuals reporting
 - Reviewed and analyzed budget-to-actuals reports prepared by PREPA and summarized major discrepancies to FOMB
 - Followed up with PREPA in a call on December 13 to better understand reasons for discrepancies
- Review of PREPA's current and aging Accounts Receivables

- Reviewed monthly reports on Accounts Receivables to observe progress made by PREPA in collections, with a focus on TSA entities, to verify PREPA’s claim that there was progress being made in collections
- Review of Energy System Modernization (ESM) model and results
 - Conducted a detailed review of the ESM Excel model and how the assumptions and results compare to the interim results of the Integrated Resource Plan (IRP) and also the Fiscal Plan least cost model
- Contract review
 - Reviewed in detail proposed contracts for Foreman Electric Services and Triple-S Salud with PREPA, including following up with PREPA with clarifying questions and phone calls
 - Developed analysis to highlight inconsistencies with Fiscal Plan observed in both contracts and summarized to FOMB
- Bill review
 - Conducted a detailed review of SB 1121, including comparison with creditors comments, and the alignment of both with Fiscal Plan
- Capital planning best practices
 - Shared with PREPA a document detailing best practices in capital planning

McKinsey Washington’s PREPA Title III Team Detail and Contributions

The McKinsey team was led by Partners (Tyler Duvall, Bertil Chappuis and Matt Rogers) who provided overall quality control and stakeholder management as well as an Expert Associate Partner (Aaron Bielenberg) who led the working team. An additional Associate Partner (Amy Wagner) provided expert content. The Working team consisted of one Engagement Manager, two Associates, and a Business Analyst.

- Bertil Chappuis (Senior Partner – part-time – overall strategic direction):
 - Participated in meetings with Board Staff regarding the implementation of the PREPA Fiscal Plan and development of the budget
 - Participated in weekly executive Board meetings and advised on key PREPA decisions on the implementation of the PREPA Fiscal Plan
- Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities)
 - Provided overall quality control on team content and stakeholder management with Board, FOMB staff and co-advisors
 - Attended weekly working sessions with team to guide content and scope of team engagement

- Provided review and guidance on the Energy Systems Modernization (ESM) modeling and its comparison with the Fiscal Plan least cost modeling and the interim Integrated Resource Planning (IRP) results
- Provided review on draft document for approaches to sizing Interconnection Charge
- Tyler Duvall (Partner – part-time – overall strategic direction)
 - Participated in weekly working sessions with team to guide work and address cross team issues and ensure consistency of deliverables where appropriate
 - Guided stakeholder management at the FOMB staff and Board level
 - Provided review and guidance on the Energy Systems Modernization (ESM) modeling and its comparison with the Fiscal Plan least cost modeling and the interim Integrated Resource Planning (IRP) results
- Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring)
 - Co-led weekly conversations with Board members, Executive Director and staff to evolve PREPA Title III strategy and approach
 - Participated in daily working sessions with team to guide work, address cross team issues, and provide content knowledge
 - Attended executive level Board meetings to review progress and advise on key PREPA decisions on the implementation of the PREPA Fiscal Plan
 - Reviewed and provided input for all team deliverables (implementation updates of PREPA Fiscal Plan measures, financial & operational tracking, Proposed Budget)
 - Reviewed initial analysis of PREPA's response on FOMB's letter to PREPA regarding objection of the Proposed Budget
 - Continued to co-lead PREPA Fiscal Plan implementation reporting feedback to provide PREPA with guidance around how to address obstacles encountered during implementation and accelerate implementation process
 - Led meetings with PREPA initiative owners on December 12, 13, and 14
 - Reviewed Budget-to-Actuals preliminary analysis and led meeting with PREPA to understand reasons behind major discrepancies
 - Led the review of Energy System Modernization (ESM) modeling results, including meeting with Citibank to follow up with clarifying questions
 - Reviewed preliminary analysis of proposed PREPA contracts with Triple-S Salud and Foreman Electric Services
- AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement)
 - Attended weekly Executive Level calls and oversaw analyses and material development to inform Board discussions related to PREPA transaction and transformation

- Prepared preliminary analysis of Budget-to-Actuals and summarized areas of major discrepancy for discussion with PREPA
- Developed reference document for PREPA detailing best practices in capital spending
- Reviewed initial analysis of PREPA's response on FOMB's letter to PREPA regarding objection of the Proposed Budget
- Willem van Schalkwyk (Associate – full-time – fiscal plan tracking, contract review)
 - Developed draft document for approaches to sizing Interconnection Charge
 - Co-analyzed December implementation updates from PREPA and supported development of materials for Board update
 - Conducted detailed analysis of monthly Accounts Receivables reporting to understand progress made by PREPA in collections, with a focus on TSA entities
- Ankit Saraf (Associate – full-time – fiscal plan tracking, contract review, budget and other)
 - Supported the development of the assessment of PREPA's monthly Proposed Budget (December), including preparing clarifying questions for PREPA
 - Prepared an initial analysis of PREPA's response on FOMB's letter to PREPA regarding objection of the Proposed Budget
 - Co-analyzed December implementation updates from PREPA and supported development of materials for Board update
 - Conducted initial review of proposed Triple-S Salud contract with PREPA
 - Attended follow up call with PREPA on questions related to the proposed Foreman Electric Services contract with PREPA
- Sam DeFabrizio (Business Analyst – full-time through 12/10-12/21 – fiscal plan tracking, budget and other)
 - Performed comparative analysis of the Energy System Modernization (ESM) Excel model with Fiscal Plan least cost model and the interim Integrated Resource Plan (IRP)
 - Performed bill comparison of SB1121 with the Fiscal Plan laid out by the FOMB and highlighted important discrepancies
 - Developed semi-automated dashboard in Tableau for use in regular tracking of implementation of transformation measures in Fiscal Plan

EXHIBIT E

December 2018 Invoice

McKinsey&Company

The Financial Oversight and Management
Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USQ-1976TK-5524R

Consulting Agreement
Client for Strategic Consulting support related to the
Title III Cases
Effective Agreement Date: July 3, 2017

Invoice Date: 01/31/2019

Net 30

FFP Payment Schedule for PREPA Services

Invoice PoP: December 1, 2018 – December 31, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$	703,624.33
Gross invoice amount for services performed in Puerto Rico:	\$	51,233.33
Subtotal	\$	754,857.67
Less withholding tax deducted at source	\$	(14,857.67)
Net Invoice Payable:	\$	740,000.00

Total Invoice Amount: \$740,000.00

McKinsey reserves the right to reissue an invoice to account for changes in applicable taxes.

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: 30420698
Bank ABA Routing Number: 021000089

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re: PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

Debtor.¹

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**THIRTEENTH MONTHLY FEE STATEMENT
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C. FOR COMPENSATION
FOR SERVICES RENDERED TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTOR,
PUERTO RICO ELECTRIC POWER AUTHORITY ("PREPA")
FOR THE PERIOD JANUARY 1, 2019 THROUGH JANUARY 31, 2019**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
("McKinsey Washington")

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: JANUARY 1, 2019 – JANUARY 31, 2019

Amount of compensation sought
as actual, reasonable and necessary: **\$740,000.00**

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: **\$0.00**

Type of Fee Statement: Thirteenth Monthly Fee Statement:
Title III Support for PREPA³

¹ The last four (4) digits of PREPA's federal tax identification number are 3747.

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Thirteenth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Thirteenth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “Interim Compensation Procedures”), the applicable provisions of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”), McKinsey & Company, Inc. Washington DC (“McKinsey Washington”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico, as representative of Debtor, Puerto Rico Electric Power Authority (“PREPA”, the “Debtors” or the “Board”), hereby serves this Thirteenth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of January 2019 (the “Fee Period”) pursuant to the “Title III Support for PREPA” Scope of Work of the consulting agreement entered into between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit A. Pursuant to the Interim Compensation Procedures, Bankruptcy Code, the Bankruptcy Rules and the Local Rules, a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Thirteenth Monthly Fee Statement, is attached as Exhibit C.

2. By this Thirteenth Monthly Fee Statement: Title III Support for PREPA, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting Agreement during the Fee Period in the amount of \$666,000.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Title III Support for PREPA.³
4. Included at Exhibit D is a detailed summary of McKinsey Washington's scope of services, deliverables and team member activities performed pursuant to the Title III Support for PREPA Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁴ for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Title III Support for PREPA Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$740,000.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$666,000.00).

³ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁴ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.
7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Thirteenth Monthly Fee Statement: Title III Support for PREPA due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Interim Compensation Procedures, the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

Notice

10. Notice of this Thirteenth Monthly Fee Statement: Title III Support for PREPA has been or will be provided by overnight delivery or e-mail to:

- i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
- iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
- iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantonio Muñoz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmardini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
- v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
- vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
- vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aaneses@cstlawpr.com);
- viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteeg@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);

- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Franciso.Pena@hacienda.pr.gov);
- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$666,000.00, representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: March 8, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Tyler Duvall
Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Tyler_Duvall@Mckinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

Consulting Agreement

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES.** The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION.** The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY.** Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY.** Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF MCKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. AUTHORITY OF THE BOARD. The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

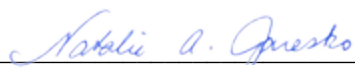
9. CONFLICTS OF INTEREST. The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

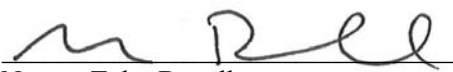
10. TERM AND TERMINATION. This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. MISCELLANEOUS. This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico
(Client)

McKinsey & Company, Inc., Washington D.C.


Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017


Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

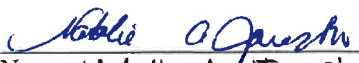
"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.


**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko

Title: Executive Director

Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duvall

Title: Principal

Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. Measure:

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. Baseline and Macro:

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the "Second Amendment") effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the "First Amendment"); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both "Commonwealth Title III Support" and "Title III Support for HTA", the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for "Commonwealth Title III Support" is reflected in the "Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and the scope of services for "Title III Support for HTA" is reflected in the "Second Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Title III Support for PREPA", as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko

Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall

Title: Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Partner Tyler Duvall

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

-----X

In re:

PROMESA

Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

Case No. 17-04780 (LTS)

PUERTO RICO ELECTRIC POWER
AUTHORITY ("PREPA"),

(Jointly Administered)

Debtors.

-----X

CERTIFICATION OF TYLER DUVALL

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Thirteenth Monthly Fee Statement: Title III Support for PREPA are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Thirteenth Monthly Fee Statement: Title III Support for PREPA complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:
 - i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
 - ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;

- iii. The amount of this invoice is reasonable;
- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 8, 2019
Washington, DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----X

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

-----X

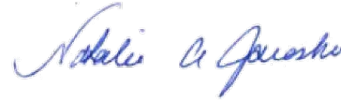
**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF JANUARY 2019**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight and Management Board for Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in January 2019 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of January 2019, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: March 6, 2019



Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for PREPA

January 2019

Summary of Work

During the month of January, the PREPA Title III team supported advisors in implementation of measures for PREPA transformation. The team scheduled 11 separate meetings with PREPA initiative owners to discuss in detail the status of Fiscal Plan financial and operational measures related to vegetation management, CILT, Maintenance projects, retirement backlog, economic dispatch, discussion of existing PPOA's, Plant performance improvement, grid modernization, reducing overtime, installing new meters, call center operations, and contract management. From these meetings, the team identified obstacles related to successful implementation and recommended appropriate measures to mitigate them and facilitate their alignment with budget and fiscal plan goals. The team also reviewed implementation update reports by PREPA in January to form the basis of the questions to further understand issues and concerns causing delays in implementation. Regular briefings were provided to the FOMB based on progress updates reported by PREPA.

The team continued its analysis of weekly financial and operation reports and summarized takeaways and notable impacts to the FOMB based on reports and calls related to the Side Letter and CW loan requirements. In this report, the team also reviewed the monthly Accounts Receivables report to understand progress made by PREPA in collections, particularly on TSA entities, to verify PREPA's claim that there was progress being made in collections.

In January, the team also analyzed the New Fortress Energy contract to supply natural gas to San Juan 5&6 and convert the existing facility to be able to burn natural gas as fuel, to ensure that these contracts are in compliance with the Fiscal Plan and do not pose a material risk in achieving its goals. Given the value of the contract (\$1.3B), a number of analyses were conducted, including outside-in benchmarking of costs, supporting expert calls with LNG contract experts, and reviewing the terms and conditions to ensure the risk is appropriately handled.

The team also analyzed the contract with Foreman Electric Services that allows PREPA to provide labor, supervision, tools, equipment, and materials necessary to perform the hurricane restoration and reconstruction services at various locations in PREPA's service areas. The team reviewed to ensure that these contracts follow the Fiscal Plan and do not pose a material risk in achieving its goals.

The team further provided comments to the FOMB on Bill 1121 based on the latest iteration, including implications of creditors' comments. Looking ahead, the team prepared an initial workplan for the creation of the fiscal plan and aligned the timelines with the FOMB's expectations. The timelines are in sync with Commonwealth fiscal plan and the fiscal plan of other instrumentalities (e.g., PRASA, HTA) that rely on data from PREPA.

Finally, the team provided its initial analysis of the proposed Public-Private Partnership Authority ("P3 Authority") Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Partnership Contracts and Sale Contracts for the Transformation of the Electric System under Act No. 120-2018, specifically on the alignment of the regulation with the Fiscal Plan.

McKinsey Washington's PREPA Title III Team Detailed Activities by Deliverable

- Implementation reporting and tracking for PREPA transformation and transaction
 - Facilitated 5 calls on December 12, 13, and 14 with initiative owner teams at PREPA to obtain a detailed progress briefing of 5 measures (smart meters, CILT, Costa Sur LNG, retirement backlog, and economic dispatch), and prepared summaries and implications from these meetings to the FOMB
 - Aligned on and drafted broad approach for new measures on replacement of damaged meters, reduction of overtime spending, and acceleration in hiring of new employees
 - Developed a draft version of a Tableau dashboard to help tracking of transformation measures. which aggregates reporting for several Excel files for individual measures and presents a single-snapshot summary, and also provides flexibility to quickly navigate through key metrics and reports for each measure
 - Provided regular, weekly briefings on implementation progress to FOMB
- Summarized Financial & Operational tracking weekly reports to FOMB
 - Worked with FOMB staff to analyze and interpret weekly financial and operational tracking associated with Side Letter call and CW loan requirements
 - Prepared monthly submissions for distribution to the Board highlighting key financial and operational metrics
 - Updated reporting on PREPA cash spent, which is critical to facilitate and standardize the review and approval of PREPA's 15-week cashflow submissions as required by the Loan Agreement
- Proposed Budget
 - Analyzed December Proposed Budget for sustainability of cash flows, consistency with previous Proposed Budgets, and any other potential concerns, and provided assessment to FOMB
 - Reviewed PREPA's response on FOMB's letter to PREPA regarding objection of the Proposed Budget and delivered point-by-point comments to FOMB
- Review of PREPA's current and aging Accounts Receivables

- Reviewed monthly reports on Accounts Receivables to observe progress made by PREPA in collections, with a focus on TSA entities
- Review was used to verify PREPA's claim that there was progress being made in collections
- Review of Energy System Modernization (ESM) model and results
 - Conducted a detailed review of the ESM Excel model and how the assumptions and results compare to the interim results of the Integrated Resource Plan (IRP) and also the Fiscal Plan least cost model
- Contract review
 - Reviewed in detail proposed contracts for Fuel Supply contract for San Juan 5 and 6; given the larger size of the contract a more detailed analysis of the contract included:
 - Conducting interviews with experts on LNG fuel supply contracts
 - Interviewing members of the PREPA team and their advisors for the contract to understand the underlying assumptions involved
 - Conducting analysis to validate the savings assumptions in the contract
 - Providing initial review of the contracting process, timelines and relevant contract clauses
 - Reviewed in detail proposed contracts for Foreman electric, a vendor responsible for grid restoration goods and services, by:
 - Identifying funding for the contract as a key challenge
 - Conducting analysis on the scope of work and the gaps identified in the list of projects that the contract would support

McKinsey Washington's PREPA Title III Team Detail and Contributions

The McKinsey team was led by Partners (Tyler Duvall, Bertil Chappuis and Matt Rogers) who provided overall quality control and stakeholder management as well as an Expert Associate Partner (Aaron Bielenberg) who led the working team. An additional Partner (Dumitru Dediu) provided expert content. The Working team consisted of one Engagement Manager and two Associates.

- Bertil Chappuis (Senior Partner – part-time – overall strategic direction):
 - Participated in meetings with Board Staff regarding the implementation of the PREPA Fiscal Plan and development of the budget
 - Participated in weekly executive Board meetings and advised on key PREPA decisions on the implementation of the PREPA Fiscal Plan
- Matt Rogers (Senior Partner – part-time – strategic direction primarily regarding power & utilities)

- Provided overall quality control on team content and stakeholder management with Board, FOMB staff, and co-advisors
- Attended weekly working sessions with team to guide content and scope of team engagement
- Provided inputs on the review of the San Juan 5&6 contract conversion including engaging in discussions with PREPA and their advisors on the contract specifics
- Conducted working session with FOMB and Alejandro Figueroa to align on the agenda for the year and where in particular the team can engage with PREPA
- Attended meetings with PREPA on implementation to review measures on new generation and grid modernization and lever
- Tyler Duvall (Partner – part-time – overall strategic direction)
 - Participated in weekly working sessions with team to guide work, address cross team issues, and ensure consistency of deliverables where appropriate
 - Guided stakeholder management at the FOMB staff and Board level
 - Provided review and guidance on implications of counterparty risk pertaining to the San Juan 5&6 conversion contract
- Aaron Bielenberg (Associate Partner – part-time – strategic direction, primarily in power, utilities and restructuring)
 - Co-led weekly conversations with Board members, Executive Director and staff to evolve PREPA Title III strategy and approach
 - Participated in daily working sessions with team to guide work, address cross team issues, and provide content knowledge
 - Attended executive level Board meetings to review progress and advise on key PREPA decisions on the implementation of the PREPA Fiscal Plan
 - Reviewed and provided input for all team deliverables (implementation updates of PREPA Fiscal Plan measures, financial & operational tracking, Proposed Budget)
 - Provided critical guidance on structuring implementation meetings to ensure that the team could achieve the most actionable outcomes
 - Continued to co-lead PREPA Fiscal Plan implementation reporting feedback to provide PREPA with guidance around how to address obstacles encountered during implementation and accelerate implementation process
 - Led multiple meetings on implementation with PREPA
 - Reviewed preliminary analysis of proposed PREPA contracts with New Fortress Energy and final review of Foreman Electric Services
- AK Mahadevan (Engagement Manager – full-time – overall management and fiscal plan, model and budget, implementation, stakeholder engagement)
 - Attended weekly Executive Level calls and oversaw analyses and material development to inform Board discussions related to PREPA transaction and transformation

- Led meetings with PREPA on implementation of multiple initiatives, including Vegetation Management, Renegotiation of Conventional & Renewable PPOAs, CILT, Plant Performance & Reliability Improvement, San Juan 5 & 6 Repair and Economic Dispatch, New Generation & Grid Modernization, Reducing Overtime, Installing New Meters, Near Term Generation, Pension Plan Reform, Call Center Ops, Retirement Backlog, E-billing, and Contract Management Improvement
- Attended meetings and calls with PREPA advisors on 1/16 and 1/25 for follow up questions related to the New Fortress Energia proposed contract
- Reviewed materials and attended team working sessions on the NFE contract
- Ankit Saraf (Associate – full-time – fiscal plan, contract review, weekly reports, budget, and other)
 - Conducted initial analysis on the proposed contract by New Fortress Energia for Fuel sale and Purchase Agreement to San Juan 5 and 6
 - Attended follow up meetings and calls with PREPA advisors on 1/16 and 1/25 for follow up questions related to the New Fortress Energia proposed contract
 - Continued analysis of proposed Foreman Electric Services contract with PREPA, including review of follow up responses from PREPA
 - Conducted an initial analysis of the draft Integrated Resource Plan (IRP) filed by PREPA with the Puerto Rico Energy Bureau (PREB) on 1/22
 - Prepared materials for and attended Budget process kickoff session with PREPA on 1/23
 - Co-reviewed January implementation updates from PREPA and supported the development of materials for Board update
 - Supported the development of the assessment of PREPA's monthly Proposed Budget (January)
 - Attended creditor calls on 1/4 and 1/18 and summarized notes for FOMB review
 - Summarized weekly reports sent by PREPA as part of the requirements of the Commonwealth loan for FOMB review
 - Summarized Accounts Receivable reports sent by PREPA on 12/27 and 1/15 for FOMB review
 - Attended call with Ernst & Young on 1/11 to transition responsibilities of Budget preparation for FY2020
 - Conducted an initial analysis of potential cost shifting because of increased distributed solar penetration
- Max Grass Araya (Associate – full-time – implementation monitoring and reporting)
 - Co-reviewed January implementation updates from PREPA and prepared materials for progress discussions with initiative owners
 - Attended initial round of meetings on January 23rd, 24th, 30th and 31st with all initiative owners focused on identifying current roadblocks delaying progress

- January 23rd: (1) Vegetation Management, (2) Renegotiation of Conventional & Renewable PPOAs, (3) CILT, (4) Plant Performance & Reliability Improvement, (5)) San Juan 5 & 6 Repair and (6) Economic Dispatch
- January 24th: (1) New Generation & Grid Modernization, (2) Reducing Overtime, (3) Installing New Meters
- January 30th: (1) Near Term Generation, (2) Pension Plan Reform
- January 31st: (1) Call Center Ops, (2) Retirement Backlog and E-billing, (3) Contract Management Improvement
- Prepared preliminary analysis of operational initiatives and suggested action plans to identify main opportunities for improvement and areas of risk
- Prepared proposed letter to be sent by FOMB to PREPA on the status of vegetation management and the urgent need to address it
- Dumitru Dediu (Partner, Amsterdam, Expert – LNG contracts)
 - Provided subject matter expertise on should cost of LNG contracts and terms and conditions observed in similar contracts around the world

EXHIBIT E

January 2019 Invoice

McKinsey&Company

The Financial Oversight and Management
Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USQ-1976TK-5601

Consulting Agreement
Client for Strategic Consulting support related to the
Title III Cases
Effective Agreement Date: July 3, 2017

Invoice Date: 03/07/2019

Net 30

FFP Payment Schedule for PREPA Services

Invoice PoP: January 1, 2019 – January 31, 2019

Gross invoice amount for services performed outside Puerto Rico:	\$	397,066.21
Gross invoice amount for services performed in Puerto Rico:	\$	483,005.34
Subtotal	\$	880,071.55
Less withholding tax deducted at source	\$	(140,071.55)
Net Invoice Payable:	\$	740,000.00

Total Invoice Amount: \$740,000.00

McKinsey reserves the right to reissue an invoice to account for changes in applicable taxes.

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: 30420698
Bank ABA Routing Number: 021000089

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.